

DDI - 68-3451

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Adm - 12.1 Proposed
notice

MEMORANDUM FOR: Executive Director-Comptroller
Deputy Director for Science and Technology
Deputy Director for Intelligence
Inspector General -
General Counsel

25X1A

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SUBJECT : Proposed [REDACTED] 20-351 and [REDACTED] Revised Federal
Income Taxes and Withholding Rates

The subject proposals, which are being sent to the Deputy
Director for Support and the Deputy Director for Plans,
respectively, for authentication, are sent you for your information
and review. If you have any questions, please call me within two
workdays on extension 2761.

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[REDACTED]
Acting Chief, Support Services Staff

Attachments: As stated

cc: D/F

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This Notice Expires 1 July 1969

PERSONNEL

HN 20-351

REVISED FEDERAL INCOME TAXES AND WITHHOLDING RATES

1. The Revenue and Expenditure Control Act of 1968, approved by the President on 28 June 1968, provides for a 10 percent Federal income tax surcharge effective from 1 April 1968 to 1 July 1969 and provides generally for an approximate increase of 10 percent in withholding rates for payments on or after 14 July 1968 and prior to 1 July 1969.

2. The new tax withholding rates will begin for employees paid every two weeks with salary checks due 26 July 1968 for the pay period 30 June through 13 July; for employees paid every four weeks with salary checks due 9 August 1968 for the period 30 June through 27 July; and for agent personnel paid monthly with salary checks due in August for the month of July.

3. As a matter of general information, the new tax surcharge in most circumstances will be applied to the taxpayers' final tax liability for the calendar year as determined before the surcharge. Because the surcharge is in effect for only nine months of 1968 and six months of 1969, the actual rates of surcharge will be as follows:

1968 - 7.5 percent (nine months @ 10 percent)
1969 - 5.0 percent (six months @ 10 percent)

4. No surtax is payable on an annual tax liability of \$145 or less for single taxpayers (other than head of household), \$220 for head of household taxpayers, and \$290 for taxpayers filing joint returns. To avoid overtaxing those with liabilities slightly over these amounts, the law provides that the surtax may not exceed twice the effective rate applied to the excess. Thus a single person having a tax of \$200 would have his surtax for 1968 limited to 15 percent of \$55 (\$200 minus \$145 exemption) or \$8. Tax withholding tables will allow for these exemptions.

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PERSONNEL

Employees should recognize that in most cases the application of the increased tax withholding rates to salary paid on and after 14 July 1968 will not cover the increased tax liability on salary paid after 1 April for which withholdings were made at the regular rates. Personnel paid biweekly will have received eight salary checks between 1 April and 13 July 1968 with withholdings at the regular rates; personnel paid every four weeks and monthly will have received four checks during that period. Accordingly the "underwithholding" for most personnel paid biweekly will approximate 80 percent (8 pay periods at 10 percent) of the amount of the withholding for Federal income taxes for one biweekly period before the increase; for employees paid each four weeks or monthly, it will approximate 40 percent (4 pay periods at 10 percent) of the previous amount of withholding for one four-week or monthly period. An employee desiring to increase his withholding to compensate for the "withholding" may submit a Form W-4, Employee's Withholding Exemption Certificate, to his payroll office through administrative channels to decrease the number of exemptions claimed or to claim "0" exemptions. Employees with "0" exemptions may request an additional amount of withholding in multiples of five dollars.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

R. L. BANNERMAN
Deputy Director
for Support

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